



One Mellon Bank Center  
Pittsburgh, PA 15219

Telephone 412 391 9710  
Fax 412 391 8963

December 11, 2001

Mr. Robert Petrilli  
VP, Chief Operating Officer and Treasurer  
WQED Pittsburgh  
4802 Fifth Avenue  
Pittsburgh, Pennsylvania 15213

**RE: Going Concern**

Dear Robert:

KPMG has issued a going concern audit opinion for WQED Pittsburgh (WQED) for the years ended June 30, 1996 through 2000 and September 30, 2000. The audit opinion was issued as a result of the Company experiencing an excess of expenses over revenues, when adjusted for unusual revenue transactions, and having an unrestricted net asset deficit, which together raise substantial doubt about its ability to continue as a going concern.

The going concern assumption is one of the fundamental assumptions underlying the preparation of financial statements. The going concern assumption is generally defined along the following lines: in the absence of information to the contrary, the entity will continue to operate for a reasonable period into the future and has neither the intention nor the necessity of liquidation or of curtailing materially the scale of its operations. If, after considering identified conditions and events and management's plans, it is concluded that substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time remains, the audit report includes an explanatory paragraph, following the opinion paragraph, reflecting this conclusion. Most entities receiving an auditor's opinion do not receive one which would include the qualifying language of a going concern opinion.

Once it is determined there is substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time, one must consider management's plan for dealing with the adverse effects of the conditions and events. One must obtain additional information about the plans and consider whether it is likely the adverse effects will be mitigated for a reasonable period of time and that such plans can be effectively implemented. Some of the items which may be discussed include management's plans to:





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Mr. Robert Petrilli

December 11, 2001

- Liquidate assets, borrow money, restructure debt, reduce or delay expenditures and/or increase capital.

Based upon our procedures performed in the previous years, WQED has met the requirements regarding the issuance of a going concern explanatory paragraph, as there is substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time unless mitigative actions are implemented. In the prior year, the management of WQED represented the following plans to improve the Company's financial condition:

- Consummating a sale of the Company's Channel 16, WQEX, a noncommercial channel, to an unrelated party. However, closure of the sale is dependent upon obtaining Federal Communication Commission (FCC) approval, performing certain due diligence related to the sale and successfully defending potential legal challenges to the sale.
- Improving the results from operations through increased levels of contributions and profitable program productions, control of direct and overhead costs and the timely completion of the sale of assets mentioned above with the proceeds of the sale being applied to repay the bank debt and overdue payables.

Based on this analysis, successful, timely completion of management's plans as described above is critical and essential to the improvement of the financial condition of the Company.

If you have any questions, please call me at (412) 232-1603.

Very truly yours,

KPMG LLP

Richard K. McAllister  
*Partner*

MPC:aei

cc George Miles

**C**

EXHIBIT C

2001 Employer Information Report EEO-1 of WQED Pittsburgh.

EQUAL EMPLOYMENT OPPORTUNITY  
2001 EMPLOYER INFORMATION REPORT EEO-1

PAGE 1

SECTION B - COMPANY IDENTIFICATION

SINGLE ESTABLISHMENT - TYPE 1

SECTION C - TEST FOR FILING REQUIREMENT

WQED PITTSBURGH  
1. 4802 FIFTH AVENUE  
PITTSBURGH ALLEGHENY  
PA 15213

2.a WQED PITTSBURGH  
4802 FIFTH AVENUE  
PITTSBURGH ALLEGHENY  
PA 15213  
b. EI = 25-1010296  
c. Y (WAS AN EEO-1 REPORT FILED FOR  
THIS ESTABLISHMENT LAST YEAR?)

1 - Y 2 - N 3 - N DUNS NO.: 45870078

SECTION E - ESTABLISHMENT INFORMATION

1. 7313 RADIO, TV, PUBLISHER  
REPRESENTATIVES  
2. NAICS: 541840 MEDIA REPRESENTATIVES

SECTION D - EMPLOYMENT DATA

JOB CATEGORIES	TOTAL B-K	***** MALE *****						***** FEMALE *****					
		(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)		
OFFICIALS AND MANAGERS .....	(1)	18	9	2	0	1	0	6	0	0	0	0	
PROFESSIONALS .....	(2)	58	24	1	0	0	0	29	3	0	1	0	
TECHNICIANS .....	(3)	21	19	1	0	0	0	1	0	0	0	0	
SALES WORKERS .....	(4)	12	6	0	0	0	0	5	1	0	0	0	
OFFICE AND CLERICAL .....	(5)	25	0	1	0	0	0	19	5	0	0	0	
CRAFT WORKERS (SKILLED) .....	(6)	1	1	0	0	0	0	0	0	0	0	0	
OPERATIVES (SIMI-SKILLED) .....	(7)	2	1	1	0	0	0	0	0	0	0	0	
LABORERS (UNSKILLED) .....	(8)	0	0	0	0	0	0	0	0	0	0	0	
SERVICE WORKERS .....	(9)	1	1	0	0	0	0	0	0	0	0	0	
<b>TOTAL</b> (10)		138	61	6	0	1	0	60	9	0	1	0	
PREVIOUS REPORT TOTAL (11)		135	62	7	0	0	0	60	6	0	0	0	

02.1.20 07/27/2001

\* OTHER QUESTIONS \*

1 - 07/01/2001 THRU 07/31/2001 (DATE(S) OF PAYROLL PERIOD USED)

2 - N (DOES THIS ESTABLISHMENT EMPLOY APPRENTICES?)

WQED PITTSBURGH



9263111 1 9263111

I certify that the information in the attached EEO-1 diskette tape file(s) is complete, and true to the best of my knowledge and was reported in accordance with the EEO-1 instructions. (Willfully false statements on the attached EEO-1 report are punishable by law, U.S. Code, Title 18, Section 1001.)

TYPE NAME AND TITLE OF CERTIFYING OFFICIAL:

Robert F. Petrilli  
Vice President & C.o.o.

Kevin M. Jordan  
Director Of Human Resources

SIGNATURE:

Robert F. Petrilli

Kevin M. Jordan

DATE:

9/26/01

9/26/01

TELEPHONE NO. WITH AREA CODE:

(412)622-1353

Fax:

(412)622-1368

Email:

kjordan@wqed.org

**WQED Pittsburgh**

Statements of Activities

Years Ended June 30, 2000 and 1999

	2000				1999			
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
Expenses, continued:								
General and administrative expense	\$ 3,585,905	—	—	3,585,905	2,783,420	—	—	2,783,420
Member relations and development	3,709,998	—	—	3,709,998	3,534,747	—	—	3,534,747
Restructuring costs - WQEX	352,842	—	—	352,842	223,474	—	—	223,474
Depreciation	595,059	—	—	595,059	559,623	—	—	559,623
Interest and other expenses	174,629	—	—	174,629	523,249	—	—	523,249
Total expenses	<u>19,049,394</u>	<u>—</u>	<u>—</u>	<u>19,049,394</u>	<u>17,510,539</u>	<u>—</u>	<u>—</u>	<u>17,510,539</u>
Excess (deficiency) of revenue over expenses	207,471	2,134,562	(814,000)	1,528,033	(266,035)	1,322,754	—	1,056,719
Net assets released from restrictions:								
Satisfaction of restrictions - equipment acquisitions	<u>661,254</u>	<u>(661,254)</u>	<u>—</u>	<u>—</u>	<u>303,704</u>	<u>(303,704)</u>	<u>—</u>	<u>—</u>
Change in net assets	868,725	1,473,308	(814,000)	1,528,033	37,669	1,019,050	—	1,056,719
Net assets, beginning of year	<u>(5,551,706)</u>	<u>3,345,227</u>	<u>7,158,998</u>	<u>4,952,519</u>	<u>(5,589,375)</u>	<u>2,326,177</u>	<u>7,158,998</u>	<u>3,895,800</u>
Net assets, end of year	<u>\$ (4,682,981)</u>	<u>4,818,535</u>	<u>6,344,998</u>	<u>6,480,552</u>	<u>(5,551,706)</u>	<u>3,345,227</u>	<u>7,158,998</u>	<u>4,952,519</u>

See accompanying notes to financial statements.

**WQED Pittsburgh**

Statements of Cash Flows

Years Ended June 30, 2000 and 1999

	<u>2000</u>	<u>1999</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,528,033	1,056,719
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Gain on expiration of Channel 16 sale	(1,000,000)	—
Gain on sale of fixed assets	(13,800)	(50,187)
Investment (gains) losses	351,561	15,410
Depreciation	595,059	559,623
Contributions and interest income classified as financing activities	(1,846,498)	(1,515,003)
Change in:		
Accounts receivable and unbilled project revenue	325,964	(232,340)
Contributions receivable	1,000	112,500
Other current assets	(12,985)	25,151
Accounts payable and accrued liabilities	(42,202)	(706,764)
Deferred revenue on uncompleted projects	634,903	1,486,208
Net cash provided by operating activities	<u>521,035</u>	<u>751,317</u>
Cash flows from investing activities:		
Net cash proceeds from sale of fixed assets	13,800	333,848
Purchase of marketable securities	—	(10,277)
Capital expenditures	<u>(985,915)</u>	<u>(486,761)</u>
Net cash used in investing activities	<u>(972,115)</u>	<u>(163,190)</u>
Cash flows from financing activities:		
Net repayments on revolving bank debt	(175,000)	(2,080,000)
Contributions and interest income restricted for long-term purposes	<u>1,846,498</u>	<u>1,515,003</u>
Net cash provided by (used in) financing activities	<u>1,671,498</u>	<u>(564,997)</u>
Net increase in cash and cash equivalents	1,220,418	23,130
Cash and cash equivalents, beginning of year	<u>5,563,613</u>	<u>5,540,483</u>
Cash and cash equivalents, end of year	<u>\$ 6,784,031</u>	<u>5,563,613</u>

**WQED Pittsburgh**

**Statements of Cash Flows**

**Years Ended June 30, 2000 and 1999**

	<u>2000</u>	<u>1999</u>
Cash and cash equivalents consist of the following:		
Cash	\$ —	2,202
Short-term investments	655,927	519,558
Cash and short-term investments, restricted	<u>6,128,104</u>	<u>5,041,853</u>
	<u>\$ 6,784,031</u>	<u>5,563,613</u>
Supplemental disclosures of cash flow information:		
Cash paid for interest	<u>\$ 219,144</u>	<u>358,145</u>
Cash paid for taxes	<u>\$ 535</u>	<u>50,000</u>

See accompanying notes to financial statements.



## WQED Pittsburgh

### Notes to Financial Statements

June 30, 2000 and 1999

#### (1) Summary of Significant Accounting Policies

##### (a) General

WQED Pittsburgh (the Company), a tax-exempt organization under section 501(c)(3) and a nonprivate foundation under section 509(a)(1) of the Internal Revenue Code of 1986, maintains its accounts on the accrual basis.

These financial statements are prepared in accordance with the provisions of Statement of Financial Accounting Standards No. 117, "Financial Statements of Not-For-Profit Organizations." Under these provisions, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

**Permanently restricted net assets** – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Company. Generally, the donors of these assets permit the Company to use the income earned on related investments for general or specific purposes.

**Temporarily restricted net assets** – Net assets subject to donor-imposed stipulations that may or will be met by actions of the Company and/or the passage of time.

**Unrestricted net assets** – Net assets not subject to donor-imposed stipulations. Donor restricted contributions expended in the year of receipt for the restricted purpose are reported as unrestricted.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and changes in other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

##### (b) Program Productions and Special Projects

The Company uses the percentage-of-completion method to account for revenue and direct expense on substantial projects. Revenue and direct expense on all other projects are recognized upon completion of the project or identifiable components within the project. Revenue earned but unbilled at year end is accrued and classified as unbilled project revenue. Deferred revenue on uncompleted projects represents project assets recorded for which revenue has not been earned as of the balance sheet date.

## **WQED Pittsburgh**

### **Notes to Financial Statements**

**June 30, 2000 and 1999**

**(c) *Contribution Revenue***

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. An allowance for uncollectible contributions receivable is provided, if necessary, based upon management's judgment including such factors as prior collection history, type of contribution and nature of fundraising activity.

**(d) *Property, Plant and Equipment***

Property, plant and equipment are stated at cost or, in the case of donated equipment, at appraised values. Depreciation is calculated on the straight-line basis over the estimated useful life of the asset. Equipment which has become fully depreciated is removed from the accounts.

**(e) *Contributed Services***

The Pennsylvania Public Television Network Commission and the Pennsylvania Department of Education provide donated services, primarily in an advisory and supporting capacity. The Company does not exercise control over the employment and duties of such donors of services. Such services include some use of facilities by the Company and programming support at the cost of the donor. Also, the Company, from time to time, is the recipient of services of volunteers for fundraising and other activities, but such volunteers are not subject to the same degree of control as Company employees with similar responsibilities. None of the above-mentioned contributed services are recorded as revenue and expense.

**(f) *Cash and Cash Equivalents***

For purposes of the statements of cash flows, investments with maturities less than or equal to 90 days at the date of purchase are treated as cash and cash equivalents.

**(g) *Short-Term Investments and Marketable Securities***

Marketable securities are accounted for in accordance with Statement of Financial Accounting Standards No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations" (SFAS 124). Investments in equity securities with readily determinable fair values and all investments in debt securities are recorded at fair value with gains and losses included in the statement of activities. As of June 30, 2000 and 1999, marketable securities consisted of U.S. Treasury notes with maturities ranging from five to ten years.

## **WQED Pittsburgh**

### **Notes to Financial Statements**

**June 30, 2000 and 1999**

Short-term investments include securities with maturities of less than 90 days for which cost approximates market.

Investment income is recognized on the accrual method of accounting.

**(h) *Use of Estimates***

Management of the Company has made a number of estimates and assumptions relating to the reporting of assets, liabilities, revenue and expenses and the disclosure of contingent assets and liabilities to prepare their financial statements in conformity with generally accepted accounting principles. Actual results could differ from those estimates.

**(i) *Other Matters***

The Company has a 99-year lease with Carnegie-Mellon University at a nominal fee of \$1 per year for the land on which its studio and office facilities are located. The lease states that the land and improvements are to be used in operation of a noncommercial, nonprofit, educational television station.

The Company's expenses, except for depreciation and interest expense, are presented on a functional basis in accordance with the requirements of the American Institute of Certified Public Accountants. Depreciation relates mainly to station operations and program production. Interest expense incurred to fund the working capital deficit of the Company relates to all principal operating activities of the Company.

**(2) *Assessment of the Financial Condition of the Company and Management's Plans***

The Company has reported unrestricted excess (deficiency) of revenue over expense of approximately \$207,000 and \$(266,000) for the years ended June 30, 2000 and 1999, respectively. The fiscal 2000 results include a \$1 million gain on the expiration of the Channel 16 sales agreement. As of June 30, 2000, the Company had an unrestricted net asset deficit of \$4.7 million and current liabilities exceeding current assets by \$4.3 million.

The Company's revolving credit facility, which has an outstanding balance of \$1,675,000 at June 30, 2000, expires on December 31, 2002 (note 3).

## **WQED Pittsburgh**

### **Notes to Financial Statements**

**June 30, 2000 and 1999**

The Company has generated contributions resulting in total temporarily and permanently restricted net assets of \$11.2 million at June 30, 2000. As permitted by the terms of these donations, \$4.5 million of restricted net assets was borrowed in prior years to meet the working capital needs of the Company and is to be repaid from future operations. The remaining \$6.7 million of temporarily and permanently restricted net assets is comprised of pledges receivable and cash and short-term investments which are classified as a noncurrent asset due to restrictions imposed by the bank (note 3) and donors (note 4).

Without improvement in the financial condition of the Company, there is substantial doubt about its ability to continue as a going concern. Management's plans to improve the Company's financial condition include the following:

- Consummating a sale of the Company's Channel 16, WQEX, a noncommercial channel, to an unrelated party. However, closure of a sale is dependent upon obtaining Federal Communication Commission (FCC) and other federal approvals, performing certain due diligence related to the sale and successfully defending potential legal challenges to the sale.
- Improving the results from operations through increased levels of contributions and profitable program productions, control of direct and overhead costs and the timely completion of the sale of assets mentioned above with the proceeds of the sale being applied to repay the bank debt and payables.

Successful, timely completion of management's plans as described above is critical and essential to the improvement of the financial condition of the Company.

### **(3) Indebtedness**

On April 5, 1999, the Company amended its agreement with the bank to extend its revolving credit facility through December 31, 2002, and changed certain terms and covenants. This credit agreement has a borrowing limit of \$4,050,000, which reduces monthly by \$50,000 (\$3,350,000 at June 30, 2000), and requires interest at the lender's prime rate plus .25% (approximately 8.85% and 8.75% for fiscal years 2000 and 1999, respectively). The balance payable on the revolving credit facility as of June 30, 2000 and 1999, was \$1,675,000 and \$1,850,000, respectively.

The amended agreement imposes covenants which restrict capital expenditures and additional borrowings and requires the Company to maintain minimum net assets of \$4,000,000 and annual unrestricted net revenue of at least \$1,000. The Company has received a waiver from the bank dated January 10, 2000, for the violation of the last covenant as of June 30, 1999.

## WQED Pittsburgh

### Notes to Financial Statements

June 30, 2000 and 1999

The borrowings described above are secured by all assets of the Company. Further, the Company must maintain \$2,300,000 in cash on deposit with the bank.

#### (4) Restrictions and Limitations on Net Assets Balances

Permanently restricted net assets consist of the following as of June 30, 2000 and 1999:

	<u>2000</u>	<u>1999</u>
WQED-FM Endowment Fund	\$ 500,000	500,000
Bessie F. Anathan Scholarship Fund	50,000	50,000
Capital Campaign Fund:		
Program Development Seed Fund	<u>5,794,998</u>	<u>6,608,998</u>
	<u>\$ 6,344,998</u>	<u>7,158,998</u>

Temporarily restricted net assets as of June 30, 2000 and 1999, consist of contributions and other gains available for:

	<u>2000</u>	<u>1999</u>
Bessie Anathan Scholarships	\$ 33,272	29,803
Capital Campaign Fund	<u>4,785,263</u>	<u>3,315,424</u>
	<u>\$ 4,818,535</u>	<u>3,345,227</u>

As of June 30, 2000, the Company has borrowed approximately \$4.5 million of restricted net assets to meet the working capital requirements of the Company's unrestricted operations. The Company intends to repay these funds; however, that repayment is ultimately dependent upon successful implementation of management's plans to improve the Company's operations as described in note 2.

In fiscal year 2000, WQED received permission from the courts and a private donor to release \$1,000,000 of previously designated permanently restricted endowment specifically to finance the production of On Q, a new nightly news program. In accordance with the agreement, one-third was released on approval, one-third will be released on October 1, 2000, and one-third will be released on October 1, 2001.

The availability of temporarily restricted net assets is subject to limitations imposed by the bank debt agreement described in note 3.

## **WQED Pittsburgh**

### **Notes to Financial Statements**

June 30, 2000 and 1999

Following is a description of the intended use of the above assets:

**WQED-FM Endowment Fund** – In March 1980, the Company received a \$500,000 grant from the A. W. Mellon Educational and Charitable Trust. In compliance with the Trust's instructions, a permanent endowment has been created in which the restricted principal will generate investment income to be used for the support of WQED-FM Radio.

**Bessie F. Anathan Scholarship Fund** – The Bessie F. Anathan Scholarship Fund was established by a grant from the Bessie F. Anathan Foundation. The terms of the grant state that the principal shall be kept intact and the revenue only used to encourage qualified recipients of bachelor degrees to continue studies in the advanced degree fields which pertain to program creation and production in educational television.

**Capital Campaign Fund** – In 1991, the Company began a \$14 million Capital Campaign to accumulate assets for the purchase and replacement of property, plant and equipment (\$7.5 million) and for the establishment of a Program Development Seed Fund (\$6.5 million). Campaign contributions not specifically restricted by the donors for one of the above purposes are allocated by management for either fixed asset acquisition or the Program Development Seed Fund as appropriate.

The purpose of the Program Development Seed Fund is to generate investment income for use in funding new programming initiatives and to provide the Company with an additional source of working capital. Principal contributions to the Program Development Seed Fund will remain intact; however, the Company may borrow from the Program Development Seed Fund when working capital is needed. Contributions to be allocated will ultimately be allocated by management during the course of the campaign in the ratio of the above-mentioned campaign goal.

Capital Campaign contributions temporarily restricted for program productions represent assets which are intended to be used to fund new program productions and related activities.

## WQED Pittsburgh

### Notes to Financial Statements

June 30, 2000 and 1999

#### (5) Property, Plant and Equipment

The composition of property, plant and equipment (at cost) at June 30, 2000 and 1999, is as follows:

Asset description	2000	1999
Land	\$ 300	300
Transmitter:		
Building	558,007	558,007
Tower	1,737,122	1,737,122
Storage building	—	—
Studio building and improvements	6,369,228	6,032,367
Technical equipment	2,594,365	2,123,418
Office furniture and equipment	2,534,383	2,437,805
Construction-in-progress	189,992	108,463
Total	13,983,397	12,997,482
Less accumulated depreciation	8,404,029	7,808,970
Net book value	\$ 5,579,368	5,188,512

The Company holds title to the transmitter building subject to the understanding that this facility, which was acquired by gift, is to be used only for educational broadcasting purposes or research in connection therewith.

#### (6) Pension Plan

The Company has a "defined contribution" pension plan covering substantially all employees funded through individual annuity contracts issued by the Teachers Insurance and Annuity Association and/or the College Retirement Equities Fund. Under this plan, there is no past-service liability and all benefits are provided solely through the individually-owned, fully-funded annuity contracts. The Company's expense under the plan was \$242,039 and \$267,862 calculated as a percentage of eligible compensation for the years ended June 30, 2000 and 1999, respectively.

## WQED Pittsburgh

### Notes to Financial Statements

June 30, 2000 and 1999

#### (7) Restructuring Costs

Restructuring costs incurred in fiscal 2000 and 1999 consisted of the following:

	June 30,	
	2000	1999
Cost of anticipated WQEX sale	\$ 352,842	223,474
	<u>\$ 352,842</u>	<u>223,474</u>

#### (8) Contingencies

The Company is involved in litigation with regard to civil rights complaints and contractual disputes arising from the normal course of business. In management's opinion, after advice from legal counsel, such matters will not materially affect the Company's financial position as of June 30, 2000.

Grants received from federal and state agencies for various purposes are subject to audit by the grantor agency. It is the opinion of management that no disallowance of costs will be made by these agencies.



## WQED Pittsburgh

## Schedule of Unrestricted Revenue and Expenses

Years Ended June 30, 2000 and 1999

	<u>2000</u>	<u>1999</u>	<u>Increase (decrease)</u>
Revenue:			
Contributions	\$ 5,133,858	4,843,526	290,332
Foundations and institutional giving	68,000	100,918	(32,918)
Government grants	2,222,720	2,737,291	(514,571)
Corporate and other underwriting	1,706,980	1,943,107	(236,127)
Magazine advertising and sales	3,636,528	3,690,542	(54,014)
Program production and distribution revenue	4,275,870	3,440,175	835,695
Investment gains (losses)	—	—	—
Gain on expiration of Channel 16 sales agreement	1,000,000	—	1,000,000
Other	500,973	296,696	204,277
Net assets released from restrictions:			
Satisfaction of restrictions - program development	665,018	90,519	574,499
Satisfaction of other restrictions	46,918	101,730	(54,812)
Total revenue	19,256,865	17,244,504	2,012,361
Expenses:			
Station operations	4,189,345	4,380,720	(191,375)
Magazine operations	3,004,514	3,195,952	(191,438)
Program production and distribution expense	3,383,988	2,207,624	1,176,364
Other operating expense	53,114	101,730	(48,616)
Total direct operating expenses	10,630,961	9,886,026	744,935
General and administrative expense	3,585,905	2,783,420	802,485
Member relations and development	3,709,998	3,534,747	175,251
Restructuring costs	352,842	223,474	129,368
Depreciation	595,059	559,623	35,436
Interest	174,629	523,249	(348,620)
Total expenses	19,049,394	17,510,539	1,538,855
Excess (deficiency) of revenue over expenses	\$ <u>207,471</u>	<u>(266,035)</u>	<u>473,506</u>

See accompanying independent auditors' report.



**WQED Pittsburgh**

Financial Statements and Schedule

September 30, 2000

(With Independent Auditors' Report Thereon)

## **WQED Pittsburgh**

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1 Schedule of Unrestricted Revenue and Expenses	13



One Mellon Bank Center  
Pittsburgh, PA 15219

Telephone 412 391 9710  
Fax 412 391 8963

## **Independent Auditors' Report**

The Board of Directors  
WQED Pittsburgh:

We have audited the accompanying statements of financial position of WQED Pittsburgh (the Company) as of September 30, 2000, and the related statements of activities and cash flows for the three-month period then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WQED Pittsburgh as of September 30, 2000, and the results of its operations and its cash flows for the three-month period then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As disclosed in note 2 to the financial statements, the Company has experienced an excess of expense over revenues, when adjusted for unusual revenue transactions, in the period ended September 30, 2000, and four years prior to the year ended June 30, 2000, and has an unrestricted net asset deficit which raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also discussed in note 2. The financial statements and supplementary information do not include any adjustments that might result from the outcome of this uncertainty.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in Schedule 1 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**KPMG LLP**

January 16, 2001



KPMG LLP, KPMG LLP, a U.S. limited liability partnership, is  
a member of KPMG International, a Swiss association.

**WQED Pittsburgh**  
Statement of Financial Position  
September 30, 2000

**Assets**

Current assets:	
Short-term investments	\$ 316,704
Accounts receivable, net of allowance for doubtful accounts of \$200,000	680,385
Unbilled project revenue	854,503
Contributions receivable	10,340
Other assets	330,058
	<hr/>
Total current assets	2,191,990
Property, plant and equipment	14,310,046
Accumulated depreciation	(8,559,085)
	<hr/>
Property, plant and equipment, net	5,750,961
Cash and short-term investments, restricted	4,612,168
Arts programming cash reserve, restricted	1,120,000
Marketable securities, restricted	715,021
	<hr/>
Total assets	\$ 14,390,140
	<hr/> <hr/>

**Liabilities and Net Assets**

Current liabilities:	
Accounts payable and accrued liabilities	4,891,658
Deferred revenue on uncompleted projects	2,115,578
	<hr/>
Total current liabilities	7,007,236
Revolving credit facility	1,650,000
	<hr/>
Total liabilities	8,657,236
Net assets:	
Unrestricted	(5,040,950)
Temporarily restricted	4,428,856
Permanently restricted	6,344,998
	<hr/>
Total net assets	5,732,904
	<hr/>
Total liabilities and net assets	\$ 14,390,140
	<hr/> <hr/>

See accompanying notes to financial statements.

**WQED Pittsburgh**

Statement of Activities

Three-Month Period Ended September 30, 2000

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Revenues and gains:				
Contributions	\$ 779,600	—	—	779,600
Foundations and institutional giving	15,000	—	—	15,000
Government grants	568,869	—	—	568,869
Corporate and other underwriting	323,733	—	—	323,733
Magazine advertising and sales	1,010,526	—	—	1,010,526
Program production and distribution revenue	483,990	—	—	483,990
Investment gains (losses)	(1,806)	(29,636)	—	(31,442)
Gain on expiration of Channel 16 sales agreement	—	—	—	—
Other	62,174	58,568	—	120,742
	<u>3,242,086</u>	<u>28,932</u>	<u>—</u>	<u>3,271,018</u>
Net assets released from restrictions:				
Satisfaction of restrictions - program development	91,062	(91,062)	—	—
Satisfaction of other restrictions	18,718	(18,718)	—	—
	<u>109,780</u>	<u>(109,780)</u>	<u>—</u>	<u>—</u>
Total revenue and gains	3,351,866	(80,848)	—	3,271,018
Expenses:				
Station operations	980,440	—	—	980,440
Magazine operations	830,993	—	—	830,993
Program production and distribution expense	513,230	—	—	513,230
Other operating expense	41,843	—	—	41,843
	<u>2,366,506</u>	<u>—</u>	<u>—</u>	<u>2,366,506</u>
General and administrative expense	566,446	—	—	566,446
Member relations and development	764,776	—	—	764,776
Restructuring costs - WQEX	94,545	—	—	94,545
Depreciation	155,056	—	—	155,056
Interest and other expenses	71,337	—	—	71,337
	<u>4,018,666</u>	<u>—</u>	<u>—</u>	<u>4,018,666</u>
Total expenses	4,018,666	—	—	4,018,666
Deficiency of revenue over expenses	(666,800)	(80,848)	—	(747,648)
Net assets released from restrictions:				
Satisfaction of restrictions - equipment acquisitions	308,831	(308,831)	—	—
	<u>308,831</u>	<u>(308,831)</u>	<u>—</u>	<u>—</u>
Change in net assets	(357,969)	(389,679)	—	(747,648)
Net assets, beginning of year	(4,682,981)	4,818,535	6,344,998	6,480,552
Net assets, end of year	<u>\$ (5,040,950)</u>	<u>4,428,856</u>	<u>6,344,998</u>	<u>5,732,904</u>

See accompanying notes to financial statements.

**WQED Pittsburgh**

**Statement of Cash Flows**

**Three-Month Period Ended September 30, 2000**

Cash flows from operating activities:	
Change in net assets	\$ (747,648)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Investment (gains) losses	(5,660)
Depreciation	155,056
Contributions and interest income classified as financing activities	(28,932)
Change in:	
Accounts receivable and unbilled project revenue	(46,100)
Other current assets	(183,596)
Accounts payable and accrued liabilities	(282,244)
Deferred revenue on uncompleted projects	726,682
Net cash used in operating activities	<u>(412,442)</u>
Cash flows from investing activities:	
Capital expenditures	<u>(326,649)</u>
Net cash used in investing activities	<u>(326,649)</u>
Cash flows from financing activities:	
Net repayments on revolving bank debt	(25,000)
Contributions and interest income restricted for long-term purposes	<u>28,932</u>
Net cash provided by financing activities	<u>3,932</u>
Net decrease in cash and cash equivalents	(735,159)
Cash and cash equivalents, beginning of year	<u>6,784,031</u>
Cash and cash equivalents, end of year	<u><u>\$ 6,048,872</u></u>
Cash and cash equivalents consist of the following:	
Short-term investments	316,704
Cash and short-term investments, restricted	<u>5,732,168</u>
	<u><u>\$ 6,048,872</u></u>
Supplemental disclosures of cash flow information:	
Cash paid for interest	<u><u>\$ 78,046</u></u>

See accompanying notes to financial statements.

## WQED Pittsburgh

### Notes to Financial Statements

September 30, 2000

#### (1) Summary of Significant Accounting Policies

##### *(a) General*

WQED Pittsburgh (the Company), a tax-exempt organization under section 501(c)(3) and a nonprivate foundation under section 509(a)(1) of the Internal Revenue Code of 1986, maintains its accounts on the accrual basis.

These financial statements are prepared in accordance with the provisions of Statement of Financial Accounting Standards No. 117, "Financial Statements of Not-For-Profit Organizations." Under these provisions, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

**Permanently restricted net assets** – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Company. Generally, the donors of these assets permit the Company to use the income earned on related investments for general or specific purposes.

**Temporarily restricted net assets** – Net assets subject to donor-imposed stipulations that may or will be met by actions of the Company and/or the passage of time.

**Unrestricted net assets** – Net assets not subject to donor-imposed stipulations. Donor restricted contributions expended in the year of receipt for the restricted purpose are reported as unrestricted.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and changes in other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

##### *(b) Program Productions and Special Projects*

The Company uses the percentage-of-completion method to account for revenue and direct expense on substantial projects. Revenue and direct expense on all other projects are recognized upon completion of the project or identifiable components within the project. Revenue earned but unbilled at year end is accrued and classified as unbilled project revenue. Deferred revenue on uncompleted projects represents project assets recorded for which revenue has not been earned as of the balance sheet date.



## **WQED Pittsburgh**

### **Notes to Financial Statements**

September 30, 2000

**(c) Contribution Revenue**

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. An allowance for uncollectible contributions receivable is provided, if necessary, based upon management's judgment including such factors as prior collection history, type of contribution and nature of fundraising activity.

**(d) Property, Plant and Equipment**

Property, plant and equipment are stated at cost or, in the case of donated equipment, at appraised values. Depreciation is calculated on the straight-line basis over the estimated useful life of the asset. Equipment which has become fully depreciated is removed from the accounts.

**(e) Contributed Services**

The Pennsylvania Public Television Network Commission and the Pennsylvania Department of Education provide donated services, primarily in an advisory and supporting capacity. The Company does not exercise control over the employment and duties of such donors of services. Such services include some use of facilities by the Company and programming support at the cost of the donor. Also, the Company, from time to time, is the recipient of services of volunteers for fundraising and other activities, but such volunteers are not subject to the same degree of control as Company employees with similar responsibilities. None of the above-mentioned contributed services are recorded as revenue and expense.

**(f) Cash and Cash Equivalents**

For purposes of the statements of cash flows, investments with maturities less than or equal to 90 days at the date of purchase are treated as cash and cash equivalents.

**(g) Short-Term Investments and Marketable Securities**

Marketable securities are accounted for in accordance with Statement of Financial Accounting Standards No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations" (SFAS 124). Investments in equity securities with readily determinable fair values and all investments in debt securities are recorded at fair value with gains and losses included in the statement of activities. As of September 30, 2000, marketable securities consisted of U.S. Treasury notes with maturities ranging from five to ten years.

## **WQED Pittsburgh**

### **Notes to Financial Statements**

September 30, 2000

Short-term investments include securities with maturities of less than 90 days for which cost approximates market.

Investment income is recognized on the accrual method of accounting.

**(h) *Use of Estimates***

Management of the Company has made a number of estimates and assumptions relating to the reporting of assets, liabilities, revenue and expenses and the disclosure of contingent assets and liabilities to prepare their financial statements in conformity with generally accepted accounting principles. Actual results could differ from those estimates.

**(i) *Other Matters***

The Company has a 99-year lease with Carnegie-Mellon University at a nominal fee of \$1 per year for the land on which its studio and office facilities are located. The lease states that the land and improvements are to be used in operation of a noncommercial, nonprofit, educational television station.

The Company's expenses, except for depreciation and interest expense, are presented on a functional basis in accordance with the requirements of the American Institute of Certified Public Accountants. Depreciation relates mainly to station operations and program production. Interest expense incurred to fund the working capital deficit of the Company relates to all principal operating activities of the Company.

**(2) *Assessment of the Financial Condition of the Company and Management's Plans***

The Company has reported unrestricted excess (deficiency) of revenue over expense of approximately \$(667,000) for the three-months ended September 30, 2000. As of September 30, 2000, the Company had an unrestricted net asset deficit of \$5 million and current liabilities exceeding current assets by \$4.8 million.

The Company's revolving credit facility, which has an outstanding balance of \$1,650,000 at September 30, 2000, expires on December 31, 2002 (note 3).

## **WQED Pittsburgh**

### **Notes to Financial Statements**

**September 30, 2000**

The Company has generated contributions resulting in total temporarily and permanently restricted net assets of \$10.8 million at September 30, 2000. As permitted by the terms of these donations, \$4.5 million of restricted net assets was borrowed in prior years to meet the working capital needs of the Company and is to be repaid from future operations. The remaining \$6.3 million of temporarily and permanently restricted net assets is comprised of pledges receivable and cash and short-term investments which are classified as a noncurrent asset due to restrictions imposed by the bank (note 3) and donors (note 4).

Without improvement in the financial condition of the Company, there is substantial doubt about its ability to continue as a going concern. Management's plans to improve the Company's financial condition include the following:

- Consummating a sale of the Company's Channel 16, WQEX, a noncommercial channel, to an unrelated party. However, closure of a sale is dependent upon obtaining Federal Communication Commission (FCC) and other federal approvals, performing certain due diligence related to the sale and successfully defending potential legal challenges to the sale.
- Improving the results from operations through increased levels of contributions and profitable program productions, control of direct and overhead costs and the timely completion of the sale of assets mentioned above with the proceeds of the sale being applied to repay the bank debt and payables.

Successful, timely completion of management's plans as described above is critical and essential to the improvement of the financial condition of the Company.

#### **(3) Indebtedness**

On April 5, 1999, the Company amended its agreement with the bank to extend its revolving credit facility through December 31, 2002, and changed certain terms and covenants. This credit agreement has a borrowing limit of \$4,050,000, which reduces monthly by \$50,000 (\$3,200,000 at September 30, 2000), and requires interest at the lender's prime rate plus .25% (approximately 9.75% for the three months ended September 30, 2000). The balance payable as of September 30, 2000, was \$1,650,000.

The amended agreement imposes covenants which restrict capital expenditures and additional borrowings and requires the Company to maintain minimum net assets of \$4,000,000 and annual unrestricted net revenue of at least \$1,000.

The borrowings described above are secured by all assets of the Company. Further, the Company must maintain \$2,300,000 in cash on deposit with the bank.

## WQED Pittsburgh

### Notes to Financial Statements

September 30, 2000

#### (4) Restrictions and Limitations on Net Assets Balances

Permanently restricted net assets consist of the following as of September 30, 2000:

WQED-FM Endowment Fund	\$	500,000
Bessie F. Anathan Scholarship Fund		50,000
Capital Campaign Fund:		
Program Development Seed Fund		5,794,998
	\$	<u>6,344,998</u>

Temporarily restricted net assets as of September 30, 2000, consist of contributions and other gains available for:

Bessie Anathan Scholarships	\$	34,157
Capital Campaign Fund		4,394,699
	\$	<u>4,428,856</u>

As of September 30, 2000, the Company has borrowed approximately \$4.5 million from restricted net assets to meet the working capital requirements of the Company's unrestricted operations. The Company intends to repay these funds; however, that repayment is ultimately dependent upon successful implementation of management's plans to improve the Company's operations as described in note 2.

In fiscal year 2000, WQED received permission from the courts and a private donor to release \$1,000,000 of previously designated permanently restricted endowment specifically to finance the production of On Q, a new nightly news program. In accordance with the agreement, one-third was released on approval, one-third was released on October 1, 2000, and one-third will be released on October 1, 2001.

The availability of temporarily restricted net assets is subject to limitations imposed by the bank debt agreement described in note 3.

Following is a description of the intended use of the above assets:

**WQED-FM Endowment Fund** – In March 1980, the Company received a \$500,000 grant from the A. W. Mellon Educational and Charitable Trust. In compliance with the Trust's instructions, a permanent endowment has been created in which the restricted principal will generate investment income to be used for the support of WQED-FM Radio.

## **WQED Pittsburgh**

### **Notes to Financial Statements**

**September 30, 2000**

**Bessie F. Anathan Scholarship Fund** – The Bessie F. Anathan Scholarship Fund was established by a grant from the Bessie F. Anathan Foundation. The terms of the grant state that the principal shall be kept intact and the revenue only used to encourage qualified recipients of bachelor degrees to continue studies in the advanced degree fields which pertain to program creation and production in educational television.

**Capital Campaign Fund** – In 1991, the Company began a \$14 million Capital Campaign to accumulate assets for the purchase and replacement of property, plant and equipment (\$7.5 million) and for the establishment of a Program Development Seed Fund (\$6.5 million). Campaign contributions not specifically restricted by the donors for one of the above purposes are allocated by management for either fixed asset acquisition or the Program Development Seed Fund as appropriate.

The purpose of the Program Development Seed Fund is to generate investment income for use in funding new programming initiatives and to provide the Company with an additional source of working capital. Principal contributions to the Program Development Seed Fund will remain intact; however, the Company may borrow from the Program Development Seed Fund when working capital is needed. Contributions to be allocated will ultimately be allocated by management during the course of the campaign in the ratio of the above-mentioned campaign goal.

Capital Campaign contributions temporarily restricted for program productions represent assets which are intended to be used to fund new program productions and related activities.

## WQED Pittsburgh

### Notes to Financial Statements

September 30, 2000

#### (5) Property, Plant and Equipment

The composition of property, plant and equipment (at cost) at September 30, 2000, is as follows:

Asset description	
Land	\$ 300
Transmitter:	
Building	558,007
Tower	1,738,200
Storage building	—
Studio building and improvements	6,370,483
Technical equipment	2,611,463
Office furniture and equipment	2,548,959
Construction-in-progress	482,634
Total	14,310,046
Less accumulated depreciation	8,559,085
Net book value	\$ 5,750,961

The Company holds title to the transmitter building subject to the understanding that this facility, which was acquired by gift, is to be used only for educational broadcasting purposes or research in connection therewith.

#### (6) Pension Plan

The Company has a “defined contribution” pension plan covering substantially all employees funded through individual annuity contracts issued by the Teachers Insurance and Annuity Association and/or the College Retirement Equities Fund. Under this plan, there is no past-service liability and all benefits are provided solely through the individually-owned, fully-funded annuity contracts. The Company's expense under the plan was \$49,328 calculated as a percentage of eligible compensation for the three-month period ended September 30, 2000.

**WQED Pittsburgh**

**Notes to Financial Statements**

September 30, 2000

**(7) Restructuring Costs**

Restructuring costs incurred in the three-month period ended September 30, 2000, consisted of the following:

Cost of anticipated WQEX sale	\$ <u>94,545</u>
	\$ <u><u>94,545</u></u>

**(8) Contingencies**

The Company is involved in litigation with regard to civil rights complaints and contractual disputes arising from the normal course of business. In management's opinion, after advice from legal counsel, such matters will not materially affect the Company's financial position as of September 30, 2000.

Grants received from federal and state agencies for various purposes are subject to audit by the grantor agency. It is the opinion of management that no disallowance of costs will be made by these agencies.

## Schedule 1

## WQED Pittsburgh

## Schedule of Unrestricted Revenue and Expenses

Three-Month Period Ended September 30, 2000

## Revenue:

Contributions	\$ 779,600
Foundations and institutional giving	15,000
Government grants	568,869
Corporate and other underwriting	323,733
Magazine advertising and sales	1,010,526
Program production and distribution revenue	483,990
Investment gains (losses)	(1,806)
Other	62,174
Net assets released from restrictions:	
Satisfaction of restrictions - program development	91,062
Satisfaction of other restrictions	18,718

Total revenue	3,351,866
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## Expenses:

Station operations	980,440
Magazine operations	830,993
Program production and distribution expense	513,230
Other operating expense	41,843

Total direct operating expenses	2,366,506
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General and administrative expense	566,446
Member relations and development	764,776
Restructuring costs	94,545
Depreciation	155,056
Interest	71,337

Total expenses	4,018,666
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Deficiency of revenue over expenses	\$ (666,800)
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See accompanying independent auditors' report.



**WQED Pittsburgh**  
**Unaudited Statements of Activities**  
**For the Periods Ended September 30, 2001 and 2000**

	2001 Activities			YTD FY01 Total	YTD FY00 Total
	Operating Unrestricted	Temporarily Restricted	Permanently Restricted		
<b>Revenues &amp; Gains(Losses):</b>					
Contributions	\$ 5,482,113	1,785	—	5,483,898	5,022,716
Foundation and institutional giving	501,500	5,000	—	506,500	60,000
Government grants	2,367,442	254,254	—	2,621,696	2,419,636
Corporate and other underwriting	914,584	—	—	914,584	1,034,718
Publishing advertising and sales	3,694,118	—	—	3,694,118	3,691,299
Internet sales	500	—	—	500	0
Multimedia sales	125,468	—	—	125,468	0
Distribution, royalties and ancillary services	1,409,715	—	—	1,409,715	1,794,903
Program production and development	3,506,248	—	—	3,506,248	2,891,820
Net investment income	152,469	(674,862)	—	(522,393)	391,564
Other	58,808	0	0	58,808	326,383
	18,212,965	(413,823)	0	17,799,142	17,633,039
Satisfaction of restrictions - program production	461,652	(461,652)	—	0	0
Satisfaction of restrictions - program development	930	(930)	—	0	0
Satisfaction of restrictions - other	73,690	(73,690)	—	0	0
Revenues & Gains(Losses)	18,749,237	(950,095)	0	17,799,142	17,633,039
<b>Expenses:</b>					
Station operations	3,965,767	—	—	3,965,767	4,292,043
Facilities usage credit	(997,017)	—	—	(997,017)	(767,722)
Publishing operations	3,293,421	—	—	3,293,421	3,134,869
Internet services	184,167	—	—	184,167	3,024
Multimedia services	20,215	—	—	20,215	26,297
Distribution, royalties and ancillary services	410,134	—	—	410,134	462,907
Program production and development	3,806,718	—	—	3,806,718	3,546,980
Other direct expense	73,690	—	—	73,690	39,920
Total Direct Expenses	10,757,095	0	0	10,757,095	10,738,318
General and administrative expenses	2,890,382	—	—	2,890,382	2,420,874
Member relations and development	3,811,036	—	—	3,811,036	3,598,159
Depreciation	637,839	—	—	637,839	605,455
Interest and other expenses	280,892	—	—	280,892	209,244
Total Expenses	18,377,244	0	0	18,377,244	17,572,050
<b>Excess Revenues &amp; Losses over Expenses</b>	371,993	(950,095)	0	(578,102)	60,989
<b>Other Activities:</b>					
Restructuring costs-WQEX sale	(268,900)	—	—	(268,900)	(348,682)
Non-recurring costs-pension	0	—	—	0	(123,947)
Non-recurring costs-litigation	0	—	—	0	(195,990)
Non-recurring costs-staff adjustments	0	—	—	0	(749,443)
Expiration of channel 16 sales agreement	0	—	—	0	1,000,000
Gain on the sale of assets	12,883	0	0	12,883	8,800
<b>Net after Revenues, Gains(Losses) &amp; Expenses</b>	115,976	(950,095)	0	(834,119)	(348,273)
<b>Net Assets Released from Restrictions:</b>					
Satisfaction of restrictions - equipment acquisitions	1,116,384	(1,116,384)	0	0	0
<b>Changes in Net Assets</b>	1,232,360	(2,066,479)	0	(834,119)	(348,273)
<b>Net Assets at September 30, 2000</b>	<u>(5,040,950)</u>	<u>4,428,856</u>	<u>6,344,998</u>	<u>5,732,904</u>	<u>6,081,177</u>
<b>Net Assets at September 30, 2001</b>	\$ <u>(3,808,590)</u>	<u>2,362,377</u>	<u>6,344,998</u>	<u>4,898,785</u>	<u>5,732,904</u>



EXHIBIT B

Letter from Richard K. McAllister, Partner, KPMG LLP, to Robert Petrilli, Vice President, Chief Operating Officer and Treasurer, WQED Pittsburgh, dated December 11, 2001.